

April 2021

BMO UK Property Fund

Key themes to watch in 2021:
The Future of Cities

While we have all been living under various lockdowns and social distancing measures over the past year, one of the much-discussed areas of speculation has been how town and city centres might be impacted in our new, post-pandemic 'normal'. With many of the activities that would usually draw people into a city centre moved online overnight – such as office work, shopping and even gym classes – to what extent might our habits be changed and the convenience of online replace the physical 3D experience?

We firmly believe in the continued need for vibrant, exciting city centres. The idea that cities will be replaced by a wholesale move to rural living as a result of the pandemic seems highly unlikely. Fundamentally, cities are hubs for human interaction and despite the pandemic, or even more so because of, humans remain innately social creatures that will continue to seek real-life interaction, and this is what lends cities their resilience – even in the face of significant tech disruption.

Key risks

The value of your investments and any income from them can go down as well as up and you may not get back the original amount invested.

BMO UK Property Fund invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks, see the prospectus and key investor information document.



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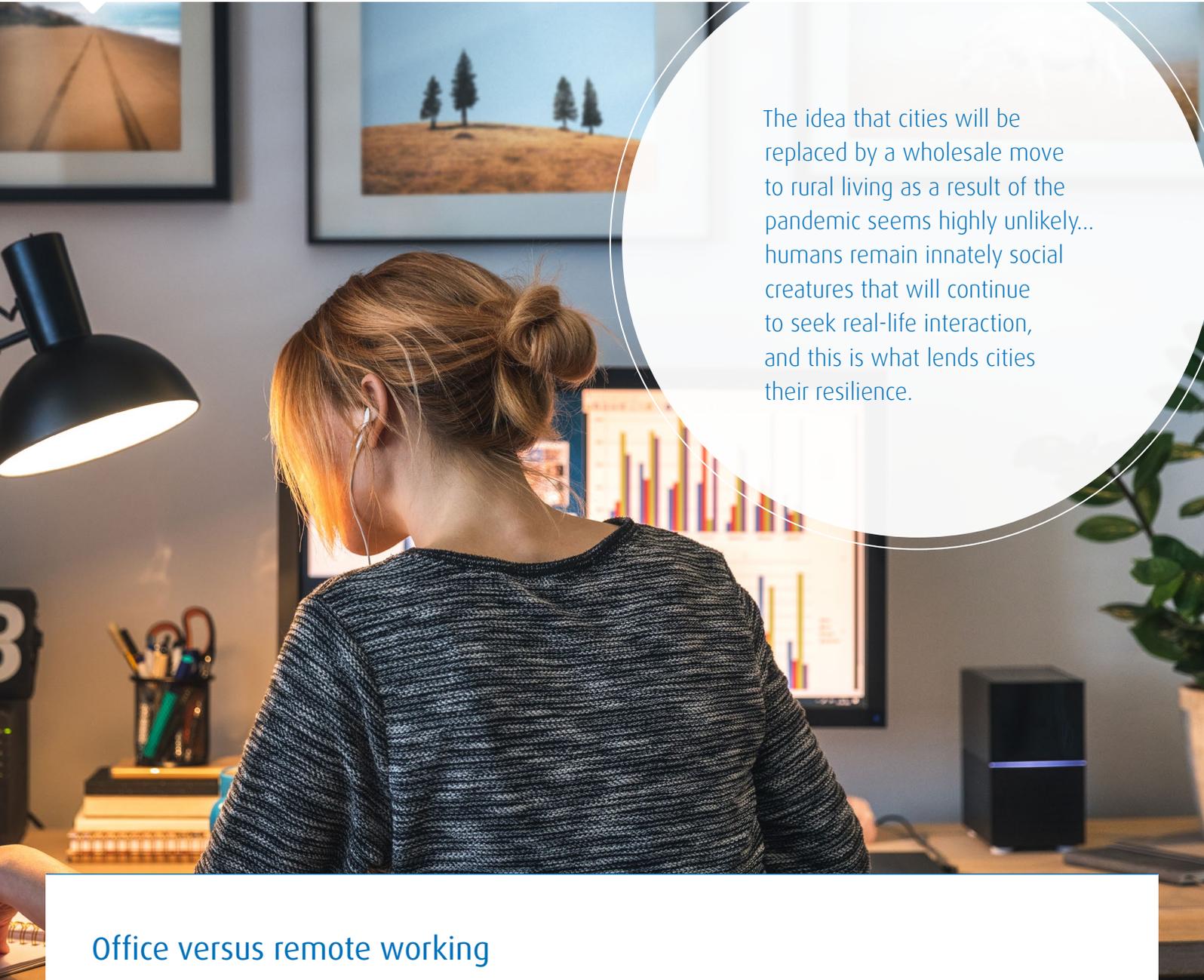
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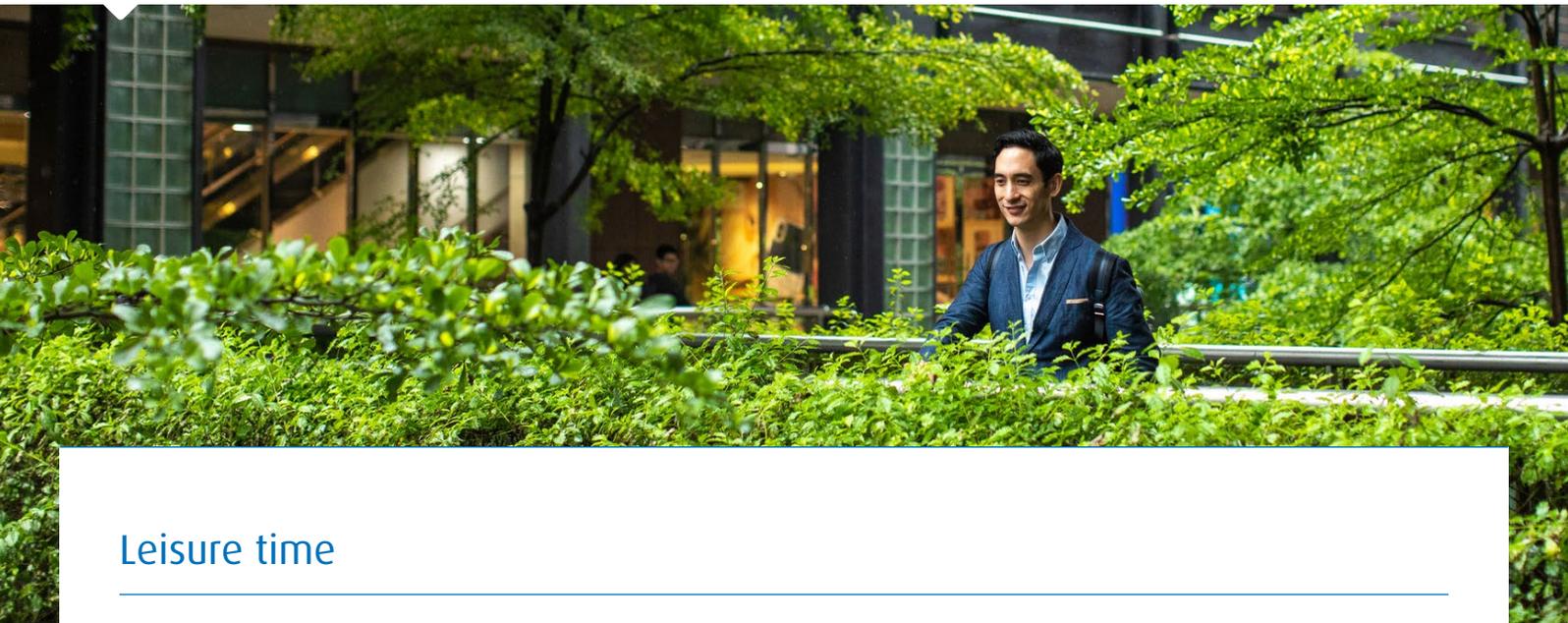


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Office versus remote working

Firstly, acting as a hub means that cities bring economic benefits in the form of agglomeration and connectivity, which, among other things, spark innovation. Remote working might have maintained productivity throughout the pandemic, but the collaborative benefits of employee interactions within the office will still play a very important role in future working practices. It's still early days to determine the full extent to which firms are changing their working habits, but [one recent survey by Deloitte](#) suggested that most businesses in London will reduce their office space by c.20%. This is consistent with employee surveys, which indicate a preferred degree of flexibility would be to spend

on average 3-4 days in the office, with the remainder of the working week spent at home, to maximise the benefits of the office alongside the convenience and cost-saving of fewer commutes. This evidently represents a significant change in demands for office space, and supports our view that there are considerable downside risks to office occupational markets over the next five years and the impact on overall aggregate demand is worked through. However, it still shows that city centre offices will continue to provide a key function in fostering collaboration and innovation amongst employees, and therefore the draw of a vibrant city centre will still remain.



Leisure time

There are of course cultural and social elements of cities that we are all sorely missing: the ability to meet friends in the pub, to go to the theatre or a concert, or celebrate an occasion in a fancy restaurant. Shopping too, while more vulnerable to a move online, will still see some return of footfall as people seek the experiential factor of retail therapy. But during the pandemic we have also become more aware of the benefits of local amenities, not only for convenience but also for the sense of community. People have also embraced the health and environmental benefits of a lifestyle less dependent on cars and trains, with our lockdown 'daily exercise' getting many of us out and about on foot or bicycle as a preferred mode of transport instead. A combination of all these factors mean we may see more of a move towards city-centre, 'urban-village' style living, with people favouring self-contained, amenity-rich areas over sprawling residential suburbs. Government-led initiatives to convert surplus retail or office units in urban centres to residential use may further progress the development of these locally focused centres, with the emergence of the "15-minute city".

A model 15-minute city would create a vibrant, mixed-use city centre with humans prioritised over cars, an emphasis on local amenity and community, and an end to large, siloed business districts or residential suburbs.

Evidently, we are not going to see this happen overnight, not least because of the timescales urban regeneration on this scale would require. Such a model would also not suit the largest city centres such as London or Manchester, where the economic benefits of large central business districts are still evident. However, we may start to see a shift in preference to support towns and city centres that can already offer a 15-minute city style of living, lending these locations greater resilience in a post-Covid world. An example here could be the city of Bath, which combines the cultural vibrancy of a

15-minute city

This term, coined by Professor Carlos Moreno of the Sorbonne, frames an urban model based on the ability to find all things necessary for a human lifestyle within a 15-minute walk or bike ride. He sets out 4 guiding principles:



Ecology

A green, sustainability city



Proximity

To live with reduced distances



Solidarity

To create links between people



Participation

To actively involve citizens

city with the smaller, more local feel of a walkable market town. Offices and houses sit alongside pedestrianised shopping streets and a number of well-established theatres and museums, as well as schools and universities. We have often talked about the attractions of the Fund's mixed-use asset at Cambridge House in Bath as an office-led scheme in a city with very low levels of office supply, but the resilience of this asset's city centre location is also clear, being less than 15 minutes' walk away from shops, theatres, bars and an easy cycle-ride away from residential areas.

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Cambridge House, Bath



Final thoughts

Cities are, and will always remain, a fundamental part of our society and the way we interact. Post-pandemic, we may see the impact of changing habits and preferences on our city centres, with more of a focus on mixed-use and local community rather than unchecked urban 'sprawl', but we believe that this is all part of the natural growth, vibrancy

and resilience of our cities. Property owners will need to react to these changes, and this is where a well-focused portfolio in good quality, sought-after locations, as well as an investment strategy of always looking at potential alternative use, will position the Fund well to respond and adapt to our towns and cities of the future.

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